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BOOK REVIEWS AND NOTICES

Principles of Accounting. By A. C. HODGE AND J. O. MCKINSEY.
Chicago: University of Chicago Press, 1920. Pp. xiv+389.
\$3.00.

A reviewer is always confronted with the problem of space limitation in his attempt to give a well-balanced account of his estimate of a given book. In the review of this book it is particularly difficult to set forth adequately the strong and the weak features. If it shall appear that too much is said concerning the more apparent weaknesses of the present book, the writer would like to discount the effect of any such overbalancing by saying at the start that the book is a good book and worthy of a good distribution.

As stated in the first chapter, the purpose of the book is to give a survey of the general field of accounting for the use primarily of the general student in the school of business as distinguished from the technical student who may be looking forward to professional accounting. It would seem that the fields of cost accounting and auditing should be reviewed or at least mentioned in such a general survey. What a book shall contain depends to a very large extent on the particular niche in the curriculum which it is expected to fill. As yet the course of instruction in accounting is not standard in all schools of business, nor is there even agreement as to the various departments and the way in which the subject-matter should be developed in the broad field of business instruction. Until such agreement can be reached there is little hope for real uniformity in content and method of particular courses. For the specific purpose for which the book has been written it should serve admirably. Without an intimate view of the entire course of instruction contemplated in a given field, one finds it difficult to give a just weighting to the various elements of content and lack of content entering into the make-up of a particular book. The reviewer must, therefore, content himself with a statement of the points which stand out more prominently than others in the reading of the book.

In the first place, the old problem of how best to develop and use principles of debit and credit seems to have given the authors considerable trouble. There appears to be too little discussion of the basic

accounting equation in the general terms of assets, liabilities, and proprietorship. The value of rules of thumb or working rules of debit and credit is extremely doubtful. The adoption in the present text of the rule: "Debit for value received and credit for value paid out" is somewhat in the nature of a make-shift. Most of the difficulties and the far-fetched explanations required for the use of many rules of debit and credit which have been proposed in times past will be met here also.

The treatment of business practices and procedure is good. Business vouchers and papers are well developed and set forth. Throughout the book one finds constant reference to "reports" and a good deal of vague talk about them. The only reports used are the fundamental ones, namely, the balance sheet and profit and loss statement, with supporting schedules. The reviewer agrees that these reports are all that can adequately be handled in a first year's course but, because of the use of the term in the present text, he has a rather distinct feeling of disappointment that his expectation was not satisfied.

Chapters xxii to xxvi, giving a discussion of the construction and interpretation of accounts, do not seem to fit in particularly well with the general scheme of organization of the material. They appear more as a filler to provide sufficient material for the first year's work. One finds in these chapters, in the main, simply a list of the different kinds of things to be met in the accounts discussed. From an educational standpoint it seems far better to give the student the transactions involving these various items and let him interpret them face to face rather than to tell him about them and schedule them for him. Some few things which are here treated in this cursory and general way, in the reviewer's judgment have not been sufficiently developed earlier in the book and therefore need development at this stage if they are to be included in this schedule of "T" accounts. In this portion the text has some of the earmarks of recent high-school texts.

The chapter on "Account Classification," in its basic sub-divisions, seems to show a lack of comprehension of the true nature of revenue accounts as a part of the proprietorship group. The chapter on "Graphic Methods of Presenting Facts" is good and is a welcome addition.

What strikes the reviewer more forcibly, however, in the reading of the book, is not so much what it contains for its content is exceedingly good, but rather its omissions. This may be due to the place which the book is expected to fill in a given accounting curriculum. There has been an almost total omission of the discussion of proprietorship

from the business organization standpoint. Some of the proprietorship accounts are given rules of thumb for guidance in making entries to them but there is no background, no discussion of the fundamental principles of organization on which an adequate understanding of such rules must always rest. The reviewer doubts the wisdom of attempting a divorcing of accounting from the other phases of business life in the effort to secure a type of so-called "pure" accounting principles. Accounting is a tool and must always adapt itself and must, therefore, always rest upon the business structure as it is. The discussion of partnership and corporation problems is largely omitted, in spite of the fact that the analytic method of accounting is perhaps best set forth in connection therewith. Many of the essential problems in connection with sales are not treated. In some cases alternative or equally good methods of accounting technique are not shown. Controlling accounts and the bank reconciliation scarcely receive adequate treatment.

As to the questions and problems, no reviewer is in a position to pass judgment unless he has gone through them carefully and at length. In this instance, therefore, only surface criticism can be made. The questions are intended to be thought-provoking and do serve that purpose. In many instances, however, they seem rather indefinite and things are asked for, for which the text has provided little or no foundation—a doubtful procedure pedagogically. Occasionally one finds a catch question or problem.

In style the book is well written and is characterized by clarity of expression. In spots it is a bit heavy, due to long sentence structure.

Physically the book is not particularly prepossessing. Its content deserves a better dress and medium than the present book has. The present paper situation is an explanation of the dress in which many books at this time are appearing.

In general, the reviewer feels that the development of the subject-matter is a little too detailed in the first chapters and not sufficiently graduated in the following chapters. It is a little abrupt in the early stages, whereas later, after the foundation has been laid, the development is perhaps a little slow on points where the student is equipped to make better progress. As mentioned above, its chief defects are its omissions and these are doubtless due to the authors' pre-conceived notions of what a first-year course should include. This in turn rests somewhat upon the way in which the whole curriculum of a given school of business is organized. In the reviewer's judgment these omissions are serious and greatly detract from the value of the book in its expressed

purpose of giving the general student the desired breadth of view of the field and a sufficiently skilled use of the tool—accounting—so necessary to the business executive.

A lesser defect is its failure to differentiate sufficiently between the kind of development of subject-matter—and the method of developing it—required for high-school and college students. A comparison of the present book with *Bookkeeping and Accounting*, a high-school text by Mr. McKinsey, shows, in the reviewer's judgment, a too close and at times an almost blind following of the development and treatment there set forth for the first course in high school.

The book is, however, basically sound, well written, and worthy of careful consideration on the part of any instructor.

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Foreign Exchange. A. C. WHITAKER. Published by D. Appleton & Co., 1919. xiv+646 pages.

The literature dealing with foreign exchange has, in the past, come from several sources. Economists have generally included a chapter or more on foreign exchange in their general economic treatises, either as a part of the discussion of the mechanism of exchange, or as part of the theory of foreign trade. Bankers have occasionally developed the subject from the viewpoint of international banking and finance; and, under the stimulus of American interest in foreign trade, have begun lately to adapt their discussions to the needs of their clients, the importer and exporter. Occasionally those interested in foreign trade from the administrative viewpoint have attempted to explain foreign exchange as it seemed to affect their immediate problems. An illustration of the economist treatment of the subject is H. G. Brown's *International Trade and Exchange*; Anthony W. Margraff's *International Exchange* is an excellent example of the banker's viewpoint; and B. Olney Hough's *Practical Exporting* contains a chapter on "Exchange," which illustrates the approach of one who is mainly concerned with the administrative problems involved in exporting.

Each of these groups has a different purpose to serve in attempting the exposition of foreign exchange. The economist with his national outlook naturally approaches it from the standpoint of the equation of indebtedness between different countries, the determination of the terms of the international exchange, and the distribution of the monetary metals among the different countries. The banker, of course, views